

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 6321-03  
Bill No.: HCS for HB 2100  
Subject: Taxation and Revenue - Sales and Use; Boats and Watercraft; Revenue Dept.  
Type: Original  
Date: April 19, 2012

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Bill Summary: This proposal would require the collection of local sales tax on motor vehicles when the vehicle is registered with the Department of Revenue. The proposal also would allow the use of dyed diesel fuel in motor vehicles in public safety matters or in the restoration of utility services during a declared state of emergency.

**FISCAL SUMMARY**

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 6 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>
<b>Local Government</b>	<b>Unknown</b>	<b>Unknown</b>	<b>Unknown</b>

## **FISCAL ANALYSIS**

### **ASSUMPTION**

#### **Sales tax provisions**

Officials from the **Office of the Secretary of State (SOS)** assume many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the Secretary of State's Office for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what our office can sustain with our core budget. Therefore, we reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Officials from the **Joint Committee on Administrative Rules** assume that this proposal would not have a fiscal impact to their organization in excess of existing resources.

Officials from the **Office of Administration, Division of Budget and Planning (BAP)** assumed a previous version of this proposal would not result in additional costs or savings to their organization.

This proposal would add to the definition of retail sale for the purposes of taxation; motor vehicle sales by an out-of-state seller to a Missouri buyer would be considered a retail sale. This proposal would have no impact on state revenues because of the existing state use tax. However, this proposal would increase local revenues for subdivisions that do not currently impose a use tax. BAP defers to the DOR for any estimated increases.

BAP officials stated that this proposal may impact the Constitutional revenue limit imposed in Article X, Section 18(e).

Officials from the **Department of Revenue (DOR)** did not respond to our request for information; however, DOR officials assumed a previous version of this proposal would not have a fiscal impact to their organization.

ASSUMPTION (continued)

DOR officials stated that a recent Missouri Supreme Court decision had outlawed the DOR practice of collecting sales tax for local governments on motor vehicles purchased outside the state of Missouri. DOR officials also advised us that some local governments do not have a use tax, and the proposal would allow the department to collect sales tax for local governments when the vehicles are registered.

Officials from the **Department of Transportation** concurred with the Department of Revenue.

Officials from the **City of Liberty** assumed the proposal would result in additional revenues of at least \$213,465 per year.

Officials from **Clay County** and the **City of Richmond** responded to our request for information but did not provide an estimate of expected fiscal impact.

**Oversight** notes that these provisions would allow local governments which have not enacted a use tax to receive sales taxes on vehicles purchased by residents in transactions outside the state. With an average new vehicle price of \$20,000 and average local sales tax rate of 3.5%, 143 sales would be required to have a fiscal impact of \$100,000 to local governments.

For fiscal note purposes, **Oversight** will indicate an unknown positive impact from additional sales tax collections for local governments.

Dyed diesel fuel provisions

In response to similar language in HB 1724 LR 5806-01, officials from the **Department of Revenue**, the **Department of Public Safety - Missouri Highway Patrol**, the **Department of Corrections**, the **Department of Agriculture**, the **Office of State Courts Administrator**, the **Office of Prosecution Services**, the **Department of Transportation**, and the **Office of the State Public Defender** assumed the proposal would have no fiscal impact on their organizations.

**Oversight** assumes the dyed diesel fuel provisions would not have a significant fiscal impact on the state or on local governments.

<u>FISCAL IMPACT - State Government</u>	FY 2013 (10 Mo.)	FY 2014	FY 2015
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2013 (10 Mo.)	FY 2014	FY 2015
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**LOCAL GOVERNMENTS**

<u>Additional revenue</u> - sales tax on vehicles purchased outside the state	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
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<b>ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS</b>	<u><b>Unknown</b></u>	<u><b>Unknown</b></u>	<u><b>Unknown</b></u>
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FISCAL IMPACT - Small Business

This sales tax provisions in this proposal could have a direct fiscal impact to a small businesses which purchased a motor vehicle, trailer, boat, or outboard motor from an out-of-state seller. The dyed diesel provisions could have a direct fiscal impact to a small business involved in public utility service restoration.

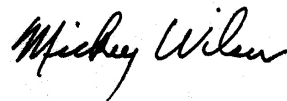
FISCAL DESCRIPTION

The proposed legislation would allow the Department of Revenue to collect sales tax for local governments on motor vehicles purchased outside the state, and would allow for the use of dyed diesel fuel in emergency situations for public safety purposes or public utility restoration services.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of the Secretary of State  
Joint Committee on Administrative Rules  
Office of Administration  
    Division of Budget and Planning  
Department of Revenue  
Department of Transportation  
Clay County  
City of Liberty  
City of Richmond

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA  
Director  
April 19, 2012